

NORTHWEST UTILITIES AUTHORITY

Saginaw County, Michigan

FINANCIAL STATEMENTS

JUNE 30, 2008

FRANCIS H. MCKENNA
CERTIFIED PUBLIC ACCOUNTANT

NORTHWEST UTILITIES AUTHORITY

at June 30, 2008

CITY OF ZILWAUKEE

JAMES L. COLLISON

CARROLLTON TOWNSHIP

MARK PILKINGTON

SAGINAW CHARTER TOWNSHIP

HERB GRUNWELL

KOCHVILLE TOWNSHIP

DALE KLEIN

SAGINAW COUNTY

JAMES KOSKI

NORTHWEST UTILITIES AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

December 15, 2008

To the Chairman and Members of the
Northwest Utilities Authority
319 Tittabawassee Road
Saginaw, Michigan 48604-1263

I have audited the accompanying basic financial statements of the **Northwest Utilities Authority**, Saginaw County, Michigan as of and for the year ended June 30, 2008 and 2007 as listed in the table of contents. These financial statements are the responsibility of the **Northwest Utilities Authority's** management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the **Northwest Utilities Authority**, Saginaw County, Michigan at **June 30, 2008** and **2007**, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The **Northwest Utilities Authority** has not presented a management's discussion and analysis, which would be an analysis of the financial performance for the fiscal years. The Governmental Accounting Standards Board has determined that the management's discussion and analysis is necessary to supplement, although is not required to be a part of, the basic financial statements.

My audit was made for the purpose of forming an opinion on the financial statements that comprise the **Northwest Utilities Authority's** basic financial statements. The accompanying other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



FRANCIS H. MCKENNA
Certified Public Accountant

NORTHWEST UTILITIES AUTHORITY

Statement of Net Assets

June 30, 2008 and 2007

| | <u>2008</u> | <u>2007</u> |
|---|---------------------|---------------------|
| ASSETS: | | |
| Cash and cash equivalents | \$ 877,089 | \$ 605,372 |
| Due from Municipalities: | | |
| City of Zilwaukee | 21,200 | 17,306 |
| Carrollton Township | 45,974 | 44,561 |
| Saginaw Charter Township | 66,040 | 71,485 |
| Kochville Township | <u>22,786</u> | <u>22,648</u> |
| | 156,000 | 156,000 |
| Accrued interest receivable | 0 | 0 |
| Prepaid insurance | 2,750 | 2,575 |
| Capital assets (net of accumulated depreciation): | | |
| Land | 66,821 | 66,821 |
| Buildings | 379,903 | 379,903 |
| Office equipment | 2,997 | 2,997 |
| Equipment, misc | 840,837 | 840,837 |
| Equipment, pump stations | 2,233,994 | 2,233,994 |
| Force mains, sanitary sewer | <u>2,792,701</u> | <u>2,687,513</u> |
| | 6,317,253 | 6,212,065 |
| Less accumulated depreciation | <u>(2,587,170)</u> | <u>(2,383,408)</u> |
| | 3,730,083 | 3,828,657 |
| Total Assets | 4,765,922 | 4,592,604 |
| LIABILITIES: | | |
| Accounts payable and other current liabilities | 77,497 | 84,809 |
| Accrued bond interest payable | 15,825 | 17,513 |
| Noncurrent liabilities: | | |
| Due within one year | 235,000 | 225,000 |
| Due in more than one year | <u>1,875,000</u> | <u>2,110,000</u> |
| Total Liabilities | <u>2,203,322</u> | <u>2,437,322</u> |
| NET ASSETS: | | |
| Invested in capital assets, net of related debt | 1,735,490 | 1,735,490 |
| Restricted for: | | |
| Debt service | 134,935 | 130,025 |
| Unrestricted (deficit) | <u>692,175</u> | <u>289,767</u> |
| Total Net Assets | <u>\$ 2,562,600</u> | <u>\$ 2,155,282</u> |

The accompanying notes are an integral part of these financial statements.
See independent auditor's report.

NORTHWEST UTILITIES AUTHORITY

Statement of Revenues, Expenses, and Changes in Net Assets

For the Fiscal Year ended June 30, 2008 and 2007

| | <u>2 0 0 8</u> | <u>2 0 0 7</u> |
|---|---------------------|---------------------|
| Operating revenues: | | |
| Charges for services: | | |
| City of Zilwaukee | \$ 152,179 | \$ 152,179 |
| Carrollton Township | 464,891 | 464,891 |
| Saginaw Charter Township | 763,941 | 763,941 |
| Kochville Township | <u>214,989</u> | <u>214,989</u> |
| Total operating revenues | 1,596,000 | 1,596,000 |
| Operating expenses: | | |
| Administrative | \$ 23,373 | \$ 17,080 |
| Operation and maintenance | 871,745 | 677,426 |
| Depreciation | <u>203,762</u> | <u>195,665</u> |
| Total operating expenses | <u>1,098,880</u> | <u>890,171</u> |
| Operating income | 497,120 | 705,829 |
| Nonoperating revenues (expenses): | | |
| Rental income | 300 | 300 |
| Interest earnings | 14,697 | 3,224 |
| Interest expense & paying agent expenses | <u>(104,799)</u> | <u>(115,228)</u> |
| Total Nonoperating revenue (expenses) | <u>(89,802)</u> | <u>(111,704)</u> |
| Changes in net assets | 407,318 | 594,125 |
| Total Net Assets, Beginning of Fiscal Year | <u>2,155,282</u> | <u>1,561,157</u> |
| Total Net Assets, End of Fiscal Year | <u>\$ 2,562,600</u> | <u>\$ 2,155,282</u> |

The accompanying notes are an integral part of these financial statements.
See independent auditor's report.

NORTHWEST UTILITIES AUTHORITY

Statement of Cash Flows

For the Fiscal Year ended June 30, 2008 and 2007

| | <u>2 0 0 8</u> | <u>2 0 0 7</u> |
|--|-------------------|-------------------|
| Cash Flows from Operating Activities: | | |
| Receipts from customers and users | \$ 1,596,000 | \$ 1,596,000 |
| Payments to City of Saginaw, waste water treatment | (790,000) | (594,368) |
| Payments to suppliers | <u>(112,605)</u> | <u>(95,134)</u> |
| Net cash provided by operating activities | \$ 693,395 | \$ 906,498 |
| Cash Flows from Capital and Related Financing Activities: | | |
| Acquisition and construction of capital assets | (105,188) | (390,733) |
| Principal paid on operating debt to City of Saginaw | - | - |
| Principal paid on capital debt | (225,000) | (220,000) |
| Interest paid on capital debt | (105,075) | (115,195) |
| Capital debt paying agent & administration fees | <u>(1,412)</u> | <u>(1,719)</u> |
| Net cash proved (used) by capital and related financing activities | (436,675) | (727,647) |
| Cash Flows from Investing Activities: | | |
| Rents received | 300 | 300 |
| Interest received | <u>14,697</u> | <u>3,224</u> |
| Net cash provided by investing activities | 14,997 | 3,524 |
| Net increase (decrease) in cash and cash equivalents | 271,717 | 182,375 |
| Cash and cash equivalents, Beginning of Fiscal Year | <u>605,372</u> | <u>422,997</u> |
| Cash and cash equivalents, End of Fiscal Year | <u>\$ 877,089</u> | <u>\$ 605,372</u> |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | |
| Operating income (page 2) | \$ 497,120 | \$ 705,829 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation expense | \$ 203,762 | \$ 195,665 |
| (Increase) decrease in Due from Municipalities | - | - |
| (Increase) decrease in accrued interest receivable | - | - |
| (Increase) decrease in prepaid insurance | (175) | (8) |
| Increase (decrease) in accounts payable | 2,688 | 5,012 |
| (Decrease) in accounts payable to City of Saginaw | <u>(10,000)</u> | <u>-</u> |
| Total adjustments | 196,275 | 200,669 |
| Net cash provided by operating activities, as above | <u>\$ 693,395</u> | <u>\$ 906,498</u> |

The accompanying notes are an integral part of these financial statements.
See independent auditor's report.

NORTHWEST UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Northwest Utilities Authority (the "Authority") conform to accounting principles as applicable to Enterprise Funds of governmental units. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements. The following is a summary of the significant accounting policies used by the Authority.

ORGANIZATION:

The financial data contained in this report includes all activities for which the Northwest Utilities Authority, a municipal joint venture, has oversight responsibility. A five member Board administers the Authority, one person from each constituent municipality and County.

On August 3, 1987, the City of Zilwaukee, Township of Carrollton, Charter Township of Saginaw and Township of Kochville created the "Northwest Utilities Authority". The purpose of this "Authority" is to acquire, own, improve, enlarge, extend and operate a sewage disposal system in accordance with State Act 233, PA 1955, as amended, (from the point of the last pumping station owned by member municipalities).

On July 1, 1989, the Northwest Utilities Authority replaced the "Zilwaukee City, Carrollton Township and Saginaw Township Sewage Disposal System" as operators of the then existing waste water treatment plant servicing the sanitary sewer systems of the City of Zilwaukee, Carrollton Township, Kochville Township and the northeast portion of Saginaw Charter Township. In addition, the member municipalities transferred to the Authority assets of their sewer system (waste water treatment plant and sewer force mains) from the point of the last pumping station owned by the respective member municipalities.

On May 18, 1990, under Act 185, PA 1957, the City of Zilwaukee, the Township of Carrollton, the Township of Kochville, the Charter Township of Saginaw and the Northwest Utilities Authority entered into a contract with the County of Saginaw providing for the bonding for the construction of a sewage transmission system to the City of Saginaw's waste water treatment plant. During October 1991, construction was completed and the sewer flow was diverted to the City of Saginaw waste water treatment plant. The employees of the Authority were also transferred to the City of Saginaw. During fiscal year 1991-92, use of the Zilwaukee sanitary sewer disposal plant had been terminated. Demolition of that plant had been completed in 1995.

The sanitary sewer systems, which provide flow to the City of Saginaw plant, are located in, owned by, and operated separately by the City of Zilwaukee, Carrollton Township, Saginaw Charter Township and Kochville Township. [Located within Saginaw County, Michigan.]

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION:

The accompanying basic financial statements of the Authority are presented as an enterprise/proprietary fund type. An enterprise fund is used to report any governmental activity for which a fee is charged to external users for goods or services. Operating revenue represents fees charged to the constituent municipalities.

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

NORTHWEST UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS -- continued

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed to the extent that those standards do not conflict with or contradict the standards of the Governmental Accounting Standards Board. In accordance with GASB Statement No. 20, the Authority has elected not to follow subsequent private-sector standards.

The financial activities of the Northwest Utilities Authority are further recorded in separate sub-fund accounts for monthly billing purposes and are reported in the "supplementary financial section". The Authority's individual sub-fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including bond interest expense, are recorded only when payment is due.

Charges to constituent municipalities and interest earnings associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Authority.

These sub-fund accounts of the Northwest Utilities Authority are described as follows:

- *OPERATION AND MAINTENANCE FUND:*

Transactions relating to the operations and maintenance of the wastewater transmission / force mains lines, pump stations and service charges to the participating local governmental units are recorded in this fund. The operating and maintenance expenses are pro-rated monthly among the City and Townships based on the average of the past three years metered flow readings. This average is adjusted each January.

- *CAPITAL IMPROVEMENT FUND (Repair and Maintenance):*

Transactions related to the major repair and improvement to the force mains and related pump stations are recorded in this fund, including payments on installment purchase agreements related to such improvements. Effective July 1, 1993, a monthly service charge is prorated among the participating governmental units based on the average of the past three years metered flow readings. This average is adjusted each January.

- *DEBT SERVICE FUND:*

The debt service fund account is used to account for the accumulation of resources from the City of Zilwaukee, Carrollton Township, Kochville Township, and Saginaw Charter Township, and the related semi-annual transfer to Saginaw County for bond principal and interest payments on the County's 1997 Northwest Utilities Sewer Improvements Project and Refunding Bonds (General Obligation Limited Tax).

The Authority bills the City of Zilwaukee and the three Townships monthly, an amount allocated on the pro-rata share of the average of the past three years of metered flow readings. The first \$28,000 portion is specifically allocated for debt service on the Saginaw County bond issue. Next, the monthly paid expenses of the Operation & Maintenance Fund are met. The Capital Improvement Fund (repair and replacement) is allocated the remainder portion, if any.

NORTHWEST UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS -- continued

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY:

- *Cash Equivalents and Investments:*

The organization's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

State statutes authorize the Authority to invest in U.S. government obligations, certificates of deposits, commercial paper, repurchase agreements, bankers acceptances, and with some restrictions, mutual funds. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan.

All investments, if any, are stated at cost or amortized cost and are made in accordance with P.A. 217, 1982 of the State of Michigan.

- *Receivables and payables:*

Activity between funds that are representative of non-transferred monthly billing allocation outstanding at the end of the fiscal year are referred to as "due to/from other funds". "Receivables from municipalities" represent current billings receivable.

- *Prepaid items:*

Insurance payments reflecting costs applicable to future accounting periods are recorded as prepaid items in the basic financial statements. The individual sub-fund statements normally do not divide expenditures between fiscal years by the recording of prepaid expenses. Payments for inventorial types of supplies are not significant and are expensed at the time of purchase.

- *Capital Assets:*

Capital assets, include property, pump stations, equipment, and force mains, are reported in the "Net Asset" (basic) financial statement. Within the supplementary financial section, capital assets are not capitalized in the individual funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in the individual fund statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance, repairs and replacements that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

NORTHWEST UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS -- continued

June 30, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property, buildings, equipment and force mains are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|--------------------------|--------------|
| Buildings | 50 - 100 |
| Force mains | 75 |
| Equipment, pump stations | 20 |
| Office equipment | 5 |
| Computer equipment | 5 |
| Other equipment | 10 - 50 |

- *Comparative Data:*

Comparative total data for the prior fiscal year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Authority's financial position and operations. Also, certain amounts presented in prior year data have been reclassified in order to be consistent with current year's presentation.

NOTE 2: CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Authority is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Authority's Board has designated Citizens Bank for the deposit of the Authority's funds. The investment policy adopted by the board, in accordance with Public Act 196 of 1997, has authorized investments bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

Deposits are carried at cost. The bank carrying value of deposits held by the respective depository accounts equates to the Authority's value of \$ 877,089. Approximately \$250,000 was covered by federal depository insurance and \$ 627,089 was uninsured and uncollateralized at June 30, 2008. Michigan statutes do not require uninsured deposits to be collateralized.

The credit risk of deposits and investments held by the Authority are classified as Category 1 – Insured or collateralized by the Authority or by its agent in the Authority's name. The deposits are summarized as follows:

| | |
|---|-------------------|
| Demand accounts – money market/checking | \$ 527,089 |
| Certificates of deposits | <u>350,000</u> |
| | <u>\$ 877,089</u> |

The Authority had no category 2 or 3 risk classifications or investments other than the cash deposits mentioned above.

NORTHWEST UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS -- continued

June 30, 2008

NOTE 3: RECEIVABLES FROM MUNICIPALITIES

The receivables from municipalities are based upon monthly billings as follows:

| | | |
|--|-----------------------------|-----------------------------|
| Advance payments – November 10, 2001: | | |
| City of Zilwaukee | \$ (9,427.53) | |
| Carrollton Township | (33,900.69) | |
| Saginaw Charter Township | (53,220.82) | |
| Kochville Township | <u>(13,450.96)</u> | \$ (110,000.00) |
| | | |
| Billing period 6/07/08 (May expenses)(Invoiced 07/01/08): | | |
| City of Zilwaukee | 15,313.62 | |
| Carrollton Township | 39,937.24 | |
| Saginaw Charter Township | 59,630.55 | |
| Kochville Township | <u>18,118.59</u> | 133,000.00 |
| | | |
| Billing period 7/07/08 (June expenses)(Invoiced 08/01/08): | | |
| City of Zilwaukee | 15,313.62 | |
| Carrollton Township | 39,937.24 | |
| Saginaw Charter Township | 59,630.55 | |
| Kochville Township | <u>18,118.59</u> | <u>133,000.00</u> |
| | | |
| Total Due from Municipalities | | <u><u>\$ 156,000.00</u></u> |
| | | |
| Recap: | | |
| City of Zilwaukee | \$ 21,199.71 | |
| Carrollton Township | 45,973.79 | |
| Saginaw Charter Township | 66,040.28 | |
| Kochville Township | <u>22,786.22</u> | |
| | | |
| | <u><u>\$ 156,000.00</u></u> | |

NORTHWEST UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS -- continued

June 30, 2008

NOTE 4: RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to the public; and natural disasters. The Authority manages its liability and property risk by participating in the Michigan Township Participating Plan. This insurance provider is organized under Public Act 138 of 1982, as amended. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

NOTE 5: USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 6: LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the Northwest Utilities Authority for the fiscal year ended June 30, 2008:

| | Balance July 1, 2 0 0 7 | (Revision) (Adjustment) | (Payments) | Balance June 30, 2 0 0 8 |
|--|-------------------------------|----------------------------|-------------------|--------------------------------|
| \$3,690,000 Saginaw County Northwest Utilities Sewer Improvements Project and Refunding Bonds (General Obligation Limited Tax), dated December 18, 1997; due in annual installments of \$220,000 to \$290,000 from May 1, 2008 through May 1, 2016; interest Ranging 4.5% to 5.5%. | 2,335,000 | - | (225,000) | 2,110,000 |
| TOTAL LONG-TERM DEBT | \$ 2,335,000 | \$ - | \$ (225,000) | \$ 2,110,000 |

NORTHWEST UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS -- continued

June 30, 2008

NOTE 6: LONG-TERM DEBT – 1997 Sewer Improvement and Refunding Bonds:

The detailed future principal & interest requirements of the 1997 Sewer Improvement and Refunding Bonds are as follows:

| Payment Date | Principal Due | Interest Rate | Interest Due | Total Payment | Fiscal Year Total |
|-----------------|------------------------|------------------|----------------------|------------------------|------------------------|
| 11/01/08 | | | 47,475.00 | 47,475.00 | |
| 05/01/09 | 235,000.00 | 4.50% | 47,475.00 | 282,475.00 | 329,950.00 |
| 11/01/09 | | | 42,187.50 | 42,187.50 | |
| 05/01/10 | 240,000.00 | 4.50% | 42,187.50 | 282,187.50 | 324,375.00 |
| 11/01/10 | | | 36,787.50 | 36,787.50 | |
| 05/01/11 | 250,000.00 | 4.50% | 36,787.50 | 286,787.50 | 323,575.00 |
| 11/01/11 | | | 31,162.50 | 31,162.50 | |
| 05/01/12 | 260,000.00 | 4.50% | 31,162.50 | 291,162.50 | 322,325.00 |
| 11/01/12 | | | 25,312.50 | 25,312.50 | |
| 05/01/13 | 270,000.00 | 4.50% | 25,312.50 | 295,312.50 | 320,625.00 |
| 11/01/13 | | | 19,237.50 | 19,237.50 | |
| 05/01/14 | 280,000.00 | 4.50% | 19,237.50 | 299,237.50 | 318,475.00 |
| 11/01/14 | | | 12,937.50 | 12,937.50 | |
| 05/01/15 | 285,000.00 | 4.50% | 12,937.50 | 297,937.50 | 310,875.00 |
| 11/01/15 | | | 6,525.00 | 6,525.00 | |
| 05/01/16 | 290,000.00 | 4.50% | 6,525.00 | 296,525.00 | 303,050.00 |
| | <u>\$ 2,110,000.00</u> | | <u>\$ 443,250.00</u> | <u>\$ 2,553,250.00</u> | <u>\$ 2,553,250.00</u> |

NORTHWEST UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE 7: ANALYSIS OF FISCAL YEAR 2007-08 CHARGES TO MUNICIPALITIES:

(Includes the 8/07/2007 through the 7/07/2008 billing dates)

| <u>MONTHLY BILLING (#)</u> | <u>TOTAL CHARGES INVOICED FY 2007/08</u> | <u>OPERATION & MAINT FD Revenue FYE 6/08 (Page 16)</u> | <u>CAPITAL IMPROVEMENT FUND (Page 19)</u> | <u>DEBT SERVICE FUND (Page 21)</u> |
|----------------------------|--|--|---|--|
| City of Zilwaukee: | \$ 172,080.72 = | \$ 96,347.57 | \$ 39,505.63 | \$ 36,227.52 |
| Carrollton Township: | 475,009.50 = | 265,819.48 | 109,188.02 | 100,002.00 |
| Saginaw Charter Twp: | 731,901.66 = | 409,466.65 | 168,350.45 | 154,084.56 |
| Kochville Township | <u>217,008.12 =</u> | <u>121,432.19</u> | <u>49,890.01</u> | <u>45,685.92</u> |
| TOTALS | <u>\$ 1,596,000.00</u> | <u>\$ 893,065.89</u> | <u>\$ 366,934.11</u> | <u>\$ 336,000.00</u> |

A detail of the monthly billings is presented on the last pages in the supplementary information section (Page 25).

(#) = Monthly allocation percentages used are as follows:

| | <u>Calendar Year 2007</u> | <u>Calendar Year 2008</u> | <u>Calendar Year 2009</u> |
|--------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| City of Zilwaukee | 10.050% | 11.514% | 11.872% |
| Carrollton Township | 29.497 | 30.028 | 30.625 |
| Saginaw Charter Township | 46.882 | 44.835 | 43.862 |
| Kochville Township | <u>13.571</u> | <u>13.623</u> | <u>13.641</u> |
| | <u>100.000%</u> | <u>100.000%</u> | <u>100.000%</u> |

SUPPLEMENTARY
FINANCIAL
DATA

NORTHWEST UTILITIES AUTHORITY

Combining Balance Sheet June 30, 2008

| | OPERATION AND MAINTENANCE FUND | CAPITAL IMPROVEMENT FUND | DEBT SERVICE FUND | CAPITAL ASSETS | LONG-TERM DEBT | ADJUSTMENTS | TOTAL (Page 1) |
|--|---|--------------------------------|-------------------------|---------------------|---------------------|----------------------|---------------------|
| Assets: | | | | | | | |
| Cash and cash equivalents | \$ 291,541 | \$ 506,613 | \$ 78,935 | \$ - | \$ - | - | \$ 877,089 |
| Due from Municipalities | 156,000 | - | - | - | - | - | 156,000 |
| Due from Operation and Maintenance Fund | - | 64,044 | 56,000 | - | - | (120,044) | - |
| Prepaid insurance | - | - | - | - | - | 2,750 A | 2,750 |
| Capital assets (net of accumulated depreciation) | - | - | - | 3,730,083 | - | - | 3,730,083 |
| Total Assets | <u>\$ 447,541</u> | <u>\$ 570,657</u> | <u>\$ 134,935</u> | <u>\$ 3,730,083</u> | <u>\$ -</u> | <u>\$ (117,294)</u> | <u>\$ 4,765,922</u> |
| Liabilities and Fund Balances: | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 77,497 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 77,497 |
| Due to other funds | 120,044 | - | - | - | - | (120,044) | - |
| Accrued bond interest payable | - | - | - | - | - | 15,825 B | 15,825 |
| Noncurrent liabilities | - | - | - | - | 2,110,000 | - | 2,110,000 |
| Total Liabilities | <u>197,541</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>2,110,000</u> | <u>(104,219)</u> | <u>2,203,322</u> |
| Fund Balance: | | | | | | | |
| Invested in capital assets, net of related debt | - | - | - | 5,425,490 | (3,690,000) | - | 1,735,490 |
| Restricted for debt service | - | - | 134,935 | - | - | - | 134,935 |
| Unrestricted | 250,000 | 570,657 | - | (1,695,407) | 1,580,000 | (13,075) | 692,175 |
| Total Fund Balance / Net Assets | <u>250,000</u> | <u>570,657</u> | <u>134,935</u> | <u>3,730,083</u> | <u>(2,110,000)</u> | <u>(13,075)</u> | <u>2,562,600</u> |
| Total Liabilities and Fund Balances | <u>\$ 447,541</u> | <u>\$ 570,657</u> | <u>\$ 134,935</u> | <u>\$ 3,730,083</u> | <u>\$ -</u> | <u>\$ (117,294)</u> | <u>\$ 4,765,922</u> |

Adjustments:

A = Prepaid insurance are not financial resources and is not reported in the O & M fund.

B = Bond interest not due and payable in the current period has not been reported in the funds.

NORTHWEST UTILITIES AUTHORITY

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances For the Fiscal Year Ended June 30, 2008

| | OPERATION AND MAINTENANCE FUND | CAPITAL IMPROVEMENT FUND | DEBT SERVICE FUND | CAPITAL ASSETS | LONG-TERM DEBT | ADJUSTMENTS | TOTAL (Page 2) |
|--|---|--------------------------------|-------------------------|---------------------|------------------------|---------------------|---------------------|
| Revenues: | | | | | | | |
| Service charge | \$ 893,066 | \$ 366,934 | \$ 336,000 | \$ - | \$ - | \$ - | \$ 1,596,000 |
| Interest earned | 1,926 | 12,374 | 397 | - | - | - | 14,697 |
| Rents | 300 | - | - | - | - | - | 300 |
| Total revenue | <u>895,292</u> | <u>379,308</u> | <u>336,397</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,610,997</u> |
| Expenses: | | | | | | | |
| Administration | 23,317 | 56 | - | - | - | - | 23,373 |
| Operation, maintenance & replacements | 871,920 | - | - | - | - | (175) E | 871,745 |
| Depreciation | - | - | - | 203,762 | - | - | 203,762 |
| Capital outlay | - | 105,188 | - | (105,188) C | - | - | - |
| Debt service | - | - | 331,487 | - | (225,000) D | (1,688) F | 104,799 |
| Total expenses | <u>895,237</u> | <u>105,244</u> | <u>331,487</u> | <u>98,574</u> | <u>(225,000)</u> | <u>(1,863)</u> | <u>1,203,679</u> |
| Inter-Fund Transfer | <u>100,000</u> | <u>(100,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenses | 100,055 | 174,064 | 4,910 | (98,574) | 225,000 | 1,863 | 407,318 |
| Fund Balance / Net Assets, July 1, 2006 | <u>149,945</u> | <u>396,593</u> | <u>130,025</u> | <u>3,828,657</u> | <u>(2,335,000)</u> | <u>(14,938)</u> | <u>2,155,282</u> |
| Fund Balance / Net Assets, June 30, 2007 | <u>\$ 250,000</u> | <u>\$ 570,657</u> | <u>\$ 134,935</u> | <u>\$ 3,730,083</u> | <u>\$ (2,110,000)</u> | <u>\$ (13,075)</u> | <u>\$ 2,562,600</u> |

Adjustments:

C = Capital acquisitions expensed by the Capital Improvement Fund are reclassified as "capital assets" to be depreciated over their estimated useful lives.

D = Principal payments on long-term debt are not deemed to be a current expense, but a reduction of long-term debt, having no effect on net assets.

E = Decrease in the amount of prepaid insurance paid from financial resources in current year, to be applied/expensed in future fiscal years.

F = Decrease in the amount of unpaid bond interest applicable to the current fiscal year.

NORTHWEST UTILITIES AUTHORITY

OPERATION AND MAINTENANCE FUND

BALANCE SHEET

| <u>ASSETS</u> | JUNE 30, | |
|---|-------------------|-------------------|
| | <u>2 0 0 8</u> | <u>2 0 0 7</u> |
| Cash, checking | \$291,541 | \$187,011 |
| Due from municipalities: | | |
| City of Zilwaukee | \$ 21,200 | \$ 17,306 |
| Carrollton Township | 45,974 | 44,561 |
| Saginaw Charter Township | 66,040 | 71,485 |
| Kochville Township | <u>22,786</u> | <u>22,648</u> |
| | 156,000 | 156,000 |
| <u>TOTAL ASSETS</u> | <u>\$ 447,541</u> | <u>\$ 343,011</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| LIABILITIES: | | |
| Accounts payable | \$ 12,497 | \$ 2,858 |
| Accounts payable – due to City of Saginaw | 65,000 | 75,000 |
| Due to Capital Fund | 64,044 | 59,208 |
| Due to Debt Service Fund | <u>56,000</u> | <u>56,000</u> |
| | 197,541 | 193,066 |
| FUND BALANCE: | | |
| Balance, beginning of year | \$ 149,945 | \$ 123,950 |
| Add: Excess of Revenue over Expenditures | <u>100,055</u> | <u>25,995</u> |
| Balance , end of fiscal year | 250,000 | 149,945 |
| <u>TOTAL LIABILITIES AND FUND BALANCE</u> | <u>\$ 447,541</u> | <u>\$ 343,011</u> |

NORTHWEST UTILITIES AUTHORITY

OPERATION AND MAINTENANCE FUND

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (with comparable totals for the fiscal year ended June 30, 2007)

| | 2007 -- 2008 | | | | TOTALS (Memorandum Only) | |
|--|----------------------------|-------------------|----------------------------|-------------------|-----------------------------|-------------------|
| | 1 st six months | | 2 nd six months | | 2008 | 2007 |
| | Percent | Amount | Percent | Amount | | |
| REVENUE: | | | | | | |
| Service charges: | | | | | | |
| City of Zilwaukee | 10.050% | \$ 44,484 | 11.514% | \$ 51,864 | \$ 96,348 | \$ 64,771 |
| Carrollton Township | 29.497 | 130,561 | 30.028 | 135,258 | 265,819 | 201,209 |
| Saginaw Charter Twp | 46.882 | 207,512 | 44.835 | 201,955 | 409,467 | 335,047 |
| Kochville Township | 13.571 | 60,069 | 13.623 | 61,363 | 121,432 | 93,243 |
| | <u>100.000%</u> | <u>\$ 442,626</u> | <u>100.000%</u> | <u>\$ 450,440</u> | 893,066 | 694,270 |
| Interest earned | | | | | 1,926 | 1,079 |
| Rents | | | | | <u>300</u> | <u>300</u> |
| TOTAL REVENUE | | | | | 895,292 | 695,649 |
| EXPENDITURES (Page 17) | | | | | <u>895,237</u> | <u>669,654</u> |
| Excess (Deficiency) Of Revenue Over Expenditures | | | | | 55 | 25,995 |
| Other Financing Sources (Uses): | | | | | | |
| Transfer from Capital Fund | | | | | <u>100,000</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | | | | 100,055 | 25,995 |
| FUND BALANCE, Beginning Of Fiscal Year | | | | | <u>149,945</u> | <u>123,950</u> |
| FUND BALANCE, End Of Fiscal Year | | | | | <u>\$ 250,000</u> | <u>\$ 149,945</u> |

NORTHWEST UTILITIES AUTHORITY

OPERATION AND MAINTENANCE FUND

STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(with comparable totals for the fiscal year ended June 30,2006)

| | 2008 | | | 2007 |
|--|--------------------|------------|--|------------|
| | ORIGINAL BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | ACTUAL |
| ADMINISTRATION: | | | | |
| Salaries and wages: | | | | |
| Clerical | \$ 2,800 | \$ 2,800 | \$ | \$ 1,800 |
| Administrator | 2,800 | 2,800 | | 1,800 |
| Treasurer | 8,000 | 8,000 | | 6,600 |
| Office supplies | 400 | 335 | | 72 |
| Audit | 3,900 | 3,532 | | 3,446 |
| Consultation fees | 3,000 | - | | - |
| Engineering fees | 5,000 | - | | - |
| Legal fees | 6,000 | 5,313 | | 2,875 |
| Telephone | 800 | 407 | | 380 |
| Printing | 1,000 | - | | - |
| Insurance and bonds | 100 | - | | - |
| Dues | 100 | - | | - |
| Miscellaneous | 300 | - | | - |
| Bank service charges | 100 | 130 | | 56 |
| Total administration expenses | 34,300 | 23,317 | 10,983 | 17,029 |
| OPERATION AND MAINTENANCE EXP: | | | | |
| Operations manager | 35,000 | 12,114 | | 13,350 |
| Engineering fees | 35,000 | - | | - |
| Telephone | 6,000 | 5,498 | | 5,127 |
| Travel - mileage | 2,000 | 1,160 | | 1,286 |
| Insurance | 8,500 | 8,250 | | 7,725 |
| Utilities: | | | | |
| Electricity & Gas | 3,000 | 1,971 | | 1,955 |
| Water | 500 | 293 | | 276 |
| Maintenance service contract | 2,000 | - | | 723 |
| Repairs and maintenance | 24,000 | 62,634 | | 27,815 |
| Rent, easements | - | - | | - |
| Miscellaneous | 6,250 | - | | - |
| Contingencies | 5,450 | - | | - |
| Saginaw City waste treatment expense | 800,000 | 780,000 | | 594,368 |
| Debt service (Note 7) - Saginaw City waste treatment expenses prior years | 28,000 | - | | - |
| Total operation and maintenance expense | 955,700 | 871,920 | 83,780 | 652,625 |
| TOTAL APPROPRIATIONS AND EXPENDITURES | \$ 990,000 | \$ 895,237 | \$ 94,763 | \$ 669,654 |

NORTHWEST UTILITIES AUTHORITY

CAPITAL IMPROVEMENT FUND

BALANCE SHEET

| <u>ASSETS</u> | JUNE 30, | |
|---|-------------------|-------------------|
| | <u>2 0 0 8</u> | <u>2 0 0 7</u> |
| Cash, checking – money market | \$ 156,613 | \$ 193,965 |
| Certificates of deposit | 350,000 | 150,000 |
| Due from Operation and Maintenance Fund | 64,044 | 59,208 |
| Accrued interest receivable | <u>-</u> | <u>-</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 570,657</u> | <u>\$ 403,173</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| LIABILITIES: | | |
| Accounts payable | \$ - | \$ 6,580 |
| FUND BALANCE: | | |
| Balance, beginning of year | \$ 396,593 | \$ 245,278 |
| Add: Excess (deficiency) of revenue over expenditures | <u>174,064</u> | <u>151,315</u> |
| Balance , end of fiscal year | <u>570,657</u> | <u>396,593</u> |
| <u>TOTAL LIABILITIES AND FUND BALANCE</u> | <u>\$ 570,657</u> | <u>\$ 403,173</u> |

NORTHWEST UTILITIES AUTHORITY

CAPITAL IMPROVEMENT FUND

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(with comparable totals for the fiscal year ended June 30, 2007)

| | 2007 -- 2008 | | | | TOTALS (Memorandum Only) | |
|--|----------------------------|-------------------|----------------------------|-------------------|-----------------------------|-------------------|
| | 1 st six months | | 2 nd six months | | 2008 | 2007 |
| | Percent | Amount | Percent | Amount | | |
| REVENUE: | | | | | | |
| Service charges: | | | | | | |
| City of Zilwaukee | 10.050% | \$ 18,831 | 11.514% | \$ 20,674 | 39,505 | 55,370 |
| Carrollton Township | 29.497 | 55,270 | 30.028 | 53,918 | 109,188 | 165,810 |
| Saginaw Charter Twp | 46.882 | 87,845 | 44.835 | 80,506 | 168,351 | 268,065 |
| Kochville Township | 13.571 | 25,429 | 13.623 | 24,461 | 49,890 | 76,485 |
| | <u>100.000%</u> | <u>\$ 187,375</u> | <u>100.000%</u> | <u>\$ 179,559</u> | 366,934 | 565,730 |
| Interest earned | | | | | 12,374 | 1,173 |
| Refunds, Saginaw County | | | | | - | - |
| Total revenue | | | | | <u>379,308</u> | <u>566,903</u> |
| EXPENDITURES: | | | | | | |
| Administration, miscellaneous & bank service charges | | | | | 56 | 46 |
| Maintenance: | | | | | | |
| Engineering fees | | | | | - | 6,579 |
| Repairs & maintenance / replacements | | | | | | |
| Various maintenance – Carrollton Township pump stations | | | | | - | 18,230 |
| Capital outlay: | | | | | | |
| Pig retrieval chamber, valves, 30" force main from river, etc | | | | | 42,324 | 390,733 |
| Drop Shaft replacement | | | | | <u>62,864</u> | - |
| Total Expenditures | | | | | <u>105,244</u> | <u>415,588</u> |
| Excess (Deficiency) Of Revenue Over Expenditures | | | | | 274,064 | 151,315 |
| Other Financing Sources (Uses): | | | | | | |
| Operating transfers (to) Operation & Maintenance Fund | | | | | <u>(100,000)</u> | - |
| EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | | | | 174,064 | 151,315 |
| FUND BALANCE, BEGINNING OF FISCAL YEAR | | | | | <u>396,593</u> | <u>245,278</u> |
| FUND BALANCE, END OF FISCAL YEAR | | | | | <u>\$ 570,657</u> | <u>\$ 396,593</u> |

NORTHWEST UTILITIES AUTHORITY

DEBT SERVICE FUND

BALANCE SHEET

| | JUNE 30, | |
|---|-------------------|-------------------|
| <u>ASSETS</u> | <u>2 0 0 8</u> | <u>2 0 0 7</u> |
| Cash, checking | \$ - | \$ - |
| Cash, (bank sweep account) Treasury Portfolio Sweep Class | 78,935 | 74,396 |
| Certificates of deposit | - | - |
| Due from Operation and Maintenance Fund | 56,000 | 56,000 |
| Accrued interest receivable | <u>-</u> | <u>-</u> |
| <u>TOTAL ASSETS</u> | <u>\$ 134,935</u> | <u>\$ 130,396</u> |
| | | |
| <u>LIABILITIES AND FUND BALANCE</u> | | |
| LIABILITIES: | | |
| Accounts payable | \$ - | \$ 371 |
| | | |
| FUND BALANCE: | | |
| Balance, beginning of year | \$ 130,025 | \$ 129,972 |
| Add: Excess (deficiency) of revenue over expenditures | <u>4,910</u> | <u>53</u> |
| Balance , end of fiscal year | <u>134,935</u> | <u>130,025</u> |
| <u>TOTAL LIABILITIES AND FUND BALANCE</u> | <u>\$ 134,935</u> | <u>\$ 130,396</u> |

NORTHWEST UTILITIES AUTHORITY

DEBT SERVICE FUND

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE FISCAL YEAR ENDED JUNE 30, 2008 (with comparable totals for the fiscal year ended June 30, 2007)

| | 2007 -- 2008 | | | | TOTALS (Memorandum Only) | |
|--|----------------------------|-------------------|----------------------------|-------------------|-----------------------------|-------------------|
| | 1 st six months | | 2 nd six months | | 2008 | 2007 |
| | Percent | Amount | Percent | Amount | | |
| REVENUE: | | | | | | |
| Service charges: | | | | | | |
| City of Zilwaukee | 10.050% | \$ 16,884 | 11.514% | \$ 19,343 | \$ 36,227 | \$ 32,037 |
| Carrollton Township | 29.497 | 49,555 | 30.028 | 50,447 | 100,002 | 97,872 |
| Saginaw Charter Twp | 46.882 | 78,762 | 44.835 | 75,323 | 154,085 | 160,830 |
| Kochville Township | 13.571 | 22,799 | 13.623 | 22,887 | 45,686 | 45,261 |
| | <u>100.000%</u> | <u>\$ 168,000</u> | <u>100.000%</u> | <u>\$ 168,000</u> | 336,000 | 336,000 |
| Interest earned | | | | | <u>397</u> | <u>972</u> |
| TOTAL REVENUE | | | | | <u>336,397</u> | <u>336,972</u> |
| EXPENDITURES – Debt Service: | | | | | | |
| Administration – | | | | | | |
| Bank service charge | | | | | - | 5 |
| Debt Service -- | | | | | | |
| 1997 County Bonds: | | | | | | |
| Principal | | | | | 225,000 | 220,000 |
| Interest | | | | | 105,075 | 115,195 |
| Paying agent fees | | | | | 300 | 300 |
| County administration fees | | | | | <u>1,112</u> | <u>1,419</u> |
| TOTAL EXPENDITURES | | | | | <u>331,487</u> | <u>336,919</u> |
| Excess (Deficiency) Of Revenue Over Expenditures | | | | | 4,910 | 53 |
| Other Financing Sources (Uses): | | | | | | |
| Operating transfers | | | | | <u>0</u> | <u>0</u> |
| EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES | | | | | 4,910 | 53 |
| FUND BALANCE (DEFICIT), BEGINNING OF FISCAL YEAR | | | | | <u>130,025</u> | <u>129,972</u> |
| FUND BALANCE, END OF FISCAL YEAR | | | | | <u>\$ 134,935</u> | <u>\$ 130,025</u> |

NORTHWEST UTILITIES AUTHORITY
3-YEAR AVERAGE COMPUTATION WORKSHEET
JUNE 30, 2008

| | FY 2004-2005 | | FY 2005-2006 | | FY 2006-2007 | | 6/30/2007 | <u>2 0 0 8</u> 6/30/2007 | FY 2007-2008 | | 6/30/2008 | <u>2 0 0 9</u> 6/30/2008 |
|----------------|--------------|----------|---------------|----------|---------------|---------|-----------------|-----------------------------|--------------|---------|-----------------|-----------------------------|
| | GALLONS | PCT | GALLONS | PCT | GALLONS | PCT | 3 YEAR TOTAL | 3 YEAR AVER. PCT | GALLONS | PCT | 3 YEAR TOTAL | 3 YEAR AVER. PCT |
| Zilwaukee City | 103,307,601 | 10.503% | 117,205,800 | 11.164% | 132,869,004 | 12.83% | 353,382,405 | 11.51% | 111,736,501 | 11.61% | 361,811,305 | 11.872% |
| Carrollton Twp | 280,429,313 | 28.510% | 303,466,737 | 28.905% | 337,700,461 | 32.61% | 921,596,511 | 30.03% | 292,175,881 | 30.37% | 933,343,079 | 30.625% |
| Saginaw Twp | 463,318,243 | 47.103% | 479,891,269 | 45.709% | 432,841,355 | 41.80% | 1,376,050,867 | 44.84% | 424,014,120 | 44.07% | 1,336,746,744 | 43.862% |
| Kochville Twp | 136,578,000 | 13.885% | 149,314,650 | 14.222% | 132,210,701 | 12.77% | 418,103,351 | 13.62% | 134,214,085 | 13.95% | 415,739,436 | 13.641% |
| TOTALS | 983,633,157 | 100.000% | 1,049,878,456 | 100.000% | 1,035,621,521 | 100.01% | 3,069,133,134 | 100.00% | 962,140,587 | 100.00% | 3,047,640,564 | 100.000% |

NORTHWEST UTILITIES AUTHORITY

COMPARISON OF CONSUMPTION THROUGH JUNE 30, 2008

LAST TWELVE YEARS

| | <u>City of Zilwaukee</u> | | <u>Carrollton Township</u> | | <u>Saginaw Charter Twp</u> | | <u>Kochville Township</u> | | <u>TOTALS</u> | |
|------------|--------------------------|----------|----------------------------|----------|----------------------------|----------|---------------------------|----------|----------------|----------|
| | <u>GALLONS</u> | <u>%</u> | <u>GALLONS</u> | <u>%</u> | <u>GALLONS</u> | <u>%</u> | <u>GALLONS</u> | <u>%</u> | <u>GALLONS</u> | <u>%</u> |
| FY 1996-97 | 113,609,000 | 11.03 | 377,616,936 | 36.67 | 416,315,447 | 40.43 | 122,170,600 | 11.87 | 1,029,711,983 | 100.00 |
| FY 1997-98 | 102,381,000 | 9.76 | 330,498,349 | 31.51 | 492,275,007 | 46.93 | 123,735,400 | 11.80 | 1,048,889,756 | 100.00 |
| FY 1998-99 | 70,095,000 | 7.71 | 267,284,766 | 29.41 | 459,987,609 | 50.61 | 111,562,200 | 12.27 | 908,929,575 | 100.00 |
| FY 1999-00 | 69,446,000 | 7.81 | 276,742,683 | 31.13 | 429,303,104 | 48.30 | 113,376,500 | 12.76 | 888,868,287 | 100.00 |
| FY 2000-01 | 89,156,000 | 9.53 | 277,349,803 | 29.64 | 442,045,667 | 47.23 | 127,253,000 | 13.60 | 935,804,470 | 100.00 |
| FY 2001-02 | 93,431,000 | 8.31 | 387,343,490 | 34.47 | 514,080,782 | 45.74 | 129,031,000 | 11.48 | 1,123,886,272 | 100.00 |
| FY 2002-03 | 67,238,000 | 7.95 | 222,354,034 | 26.30 | 440,194,585 | 52.05 | 115,867,000 | 13.70 | 845,653,619 | 100.00 |
| FY 2003-04 | 86,611,000 | 8.47 | 317,498,803 | 31.05 | 489,472,895 | 47.88 | 128,811,000 | 12.60 | 1,022,393,698 | 100.00 |
| FY 2004-05 | 103,307,601 | 10.50 | 280,429,313 | 28.51 | 463,318,243 | 47.10 | 136,578,000 | 13.89 | 983,633,157 | 100.00 |
| FY 2005-06 | 117,205,800 | 11.16 | 303,466,737 | 28.91 | 479,891,269 | 45.71 | 149,314,650 | 14.22 | 1,049,878,456 | 100.00 |
| FY 2006-07 | 132,869,004 | 12.83 | 337,700,461 | 32.61 | 432,841,355 | 41.79 | 132,210,701 | 12.77 | 1,035,621,521 | 100.00 |
| FY 2007-08 | 111,736,501 | 11.61 | 292,175,881 | 30.37 | 424,014,120 | 44.07 | 134,214,085 | 13.95 | 962,140,587 | 100.00 |

NORTHWEST UTILITIES AUTHORITY

SUMMARY OF MONTHLY BILLINGS

FOR THE FISCAL YEAR 2006 - 2007

| | 8/7/2006 | 9/7/206 | 10/7/2006 | 11/7/206 | 12/7/2006 | 1/7/2007 | 1/7/2007 | 2/7/2007 | 3/7/2007 | 4/7/2007 | 5/7/2007 | 6/7/2007 | 7/7/2007 | 7/7/2007 | TOTAL |
|--------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|
| CITY OF ZILWAUKEE: | | | | | | | | | | | | | | | |
| O & M Expenses | 7,125.72 | 7,091.10 | 7,198.61 | 8,327.60 | 7,119.05 | 6,951.72 | 43,813.80 | 727.87 | 767.61 | 307.15 | 4,000.03 | 7,347.38 | 7,807.22 | 20,957.26 | 64,771.06 |
| Capital Fd | 2,345.28 | 2,379.90 | 2,272.39 | 1,143.40 | 2,351.95 | 2,519.28 | 13,012.20 | 9,824.63 | 9,784.89 | 10,245.35 | 6,552.47 | 3,205.12 | 2,745.28 | 42,357.74 | 55,369.94 |
| B & I acct | 2,525.60 | 2,525.60 | 2,525.60 | 2,525.60 | 2,525.60 | 2,525.60 | 15,153.60 | 2,814.00 | 2,814.00 | 2,814.00 | 2,814.00 | 2,814.00 | 2,814.00 | 16,884.00 | 32,037.60 |
| Sub-total | 11,996.60 | 11,996.60 | 11,996.60 | 11,996.60 | 11,996.60 | 11,996.60 | 71,979.60 | 13,366.50 | 13,366.50 | 13,366.50 | 13,366.50 | 13,366.50 | 13,366.50 | 80,199.00 | 152,178.60 |
| Saginaw WWTP | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 11,996.60 | 11,996.60 | 11,996.60 | 11,996.60 | 11,996.60 | 11,996.60 | 71,979.60 | 13,366.50 | 13,366.50 | 13,366.50 | 13,366.50 | 13,366.50 | 13,366.50 | 80,199.00 | 152,178.60 |
| CARROLLTON TWSP: | | | | | | | | | | | | | | | |
| O & M Expenses | 22,720.14 | 22,609.76 | 22,952.54 | 26,552.29 | 22,698.87 | 22,165.36 | 139,698.96 | 2,136.33 | 2,252.94 | 901.50 | 11,740.20 | 21,564.74 | 22,914.39 | 61,510.10 | 201,209.06 |
| Capital Fd | 7,477.86 | 7,588.24 | 7,245.46 | 3,645.71 | 7,499.13 | 8,032.64 | 41,489.04 | 28,835.52 | 28,718.91 | 30,070.35 | 19,231.65 | 9,407.11 | 8,057.46 | 124,321.00 | 165,810.04 |
| B & I acct | 8,052.80 | 8,052.80 | 8,052.80 | 8,052.80 | 8,052.80 | 8,052.80 | 48,316.80 | 8,259.16 | 8,259.16 | 8,259.16 | 8,259.16 | 8,259.16 | 8,259.16 | 49,554.96 | 97,871.76 |
| Sub-total | 38,250.80 | 38,250.80 | 38,250.80 | 38,250.80 | 38,250.80 | 38,250.80 | 229,504.80 | 39,231.01 | 39,231.01 | 39,231.01 | 39,231.01 | 39,231.01 | 39,231.01 | 235,386.06 | 464,890.86 |
| Saginaw WWTP | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 38,250.80 | 38,250.80 | 38,250.80 | 38,250.80 | 38,250.80 | 38,250.80 | 229,504.80 | 39,231.01 | 39,231.01 | 39,231.01 | 39,231.01 | 39,231.01 | 39,231.01 | 235,386.06 | 464,890.86 |
| SAGINAW TWSP: | | | | | | | | | | | | | | | |
| O & M Expenses | 38,591.06 | 38,403.56 | 38,985.81 | 45,100.11 | 38,554.94 | 37,648.73 | 237,284.21 | 3,395.45 | 3,580.78 | 1,432.82 | 18,659.66 | 34,274.62 | 36,419.72 | 97,763.05 | 335,047.26 |
| Capital Fd | 12,701.44 | 12,888.94 | 12,306.69 | 6,192.39 | 12,737.56 | 13,643.77 | 70,470.79 | 45,830.65 | 45,645.32 | 47,793.28 | 30,566.44 | 14,951.48 | 12,806.38 | 197,593.55 | 268,064.34 |
| B & I acct | 13,678.00 | 13,678.00 | 13,678.00 | 13,678.00 | 13,678.00 | 13,678.00 | 82,068.00 | 13,126.96 | 13,126.96 | 13,126.96 | 13,126.96 | 13,126.96 | 13,126.96 | 78,761.76 | 160,829.76 |
| Sub-total | 64,970.50 | 64,970.50 | 64,970.50 | 64,970.50 | 64,970.50 | 64,970.50 | 389,823.00 | 62,353.06 | 62,353.06 | 62,353.06 | 62,353.06 | 62,353.06 | 62,353.06 | 374,118.36 | 763,941.36 |
| Saginaw WWTP | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 64,970.50 | 64,970.50 | 64,970.50 | 64,970.50 | 64,970.50 | 64,970.50 | 389,823.00 | 62,353.06 | 62,353.06 | 62,353.06 | 62,353.06 | 62,353.06 | 62,353.06 | 374,118.36 | 763,941.36 |
| KOCHVILLE TWSP: | | | | | | | | | | | | | | | |
| O & M Expenses | 10,562.18 | 10,510.86 | 10,670.22 | 12,343.67 | 10,552.29 | 10,304.27 | 64,943.49 | 982.89 | 1,036.53 | 414.76 | 5,401.44 | 9,921.52 | 10,542.47 | 28,299.61 | 93,243.10 |
| Capital Fd | 3,476.32 | 3,527.64 | 3,368.28 | 1,694.83 | 3,486.21 | 3,734.23 | 19,287.51 | 13,266.66 | 13,213.02 | 13,834.79 | 8,848.11 | 4,328.03 | 3,707.08 | 57,197.69 | 76,485.20 |
| B & I acct | 3,743.60 | 3,743.60 | 3,743.60 | 3,743.60 | 3,743.60 | 3,743.60 | 22,461.60 | 3,799.88 | 3,799.88 | 3,799.88 | 3,799.88 | 3,799.88 | 3,799.88 | 22,799.28 | 45,260.88 |
| Sub-total | 17,782.10 | 17,782.10 | 17,782.10 | 17,782.10 | 17,782.10 | 17,782.10 | 106,692.60 | 18,049.43 | 18,049.43 | 18,049.43 | 18,049.43 | 18,049.43 | 18,049.43 | 108,296.58 | 214,989.18 |
| Saginaw WWTP | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 17,782.10 | 17,782.10 | 17,782.10 | 17,782.10 | 17,782.10 | 17,782.10 | 106,692.60 | 18,049.43 | 18,049.43 | 18,049.43 | 18,049.43 | 18,049.43 | 18,049.43 | 108,296.58 | 214,989.18 |
| TOTALS | 133,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 798,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 798,000.00 | 1,596,000.00 |

NORTHWEST UTILITIES AUTHORITY

SUMMARY OF MONTHLY BILLINGS

FOR THE FISCAL YEAR 2007 - 2008

| Expense Month > Billing Date > Invoice Date > | July 8/7/2007 9/1/2007 | August 9/7/2007 10/1/2007 | September 10/7/2007 11/1/2007 | October 11/7/2007 12/1/2007 | November 12/7/2007 1/1/2008 | December 1/7/2008 2/1/2008 | 6 mos Sub-total 1/7/2008 | January 2/7/2008 3/1/2008 | February 3/7/2008 4/1/2008 | March 4/7/2008 5/1/2008 | April 5/7/2008 6/1/2008 | May 6/7/2008 7/1/2008 | June 7/7/2008 8/1/2008 | 6 mos Sub-total 7/7/2008 | GRAND TOTAL |
|---|------------------------------|---------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|----------------------------------|--------------------------------|---------------------------------|----------------------------------|-------------------------------|-------------------------------|-----------------------------|------------------------------|--------------------------------|----------------|
| CITY OF ZILWAUKEE: | | | | | | | | | | | | | | | |
| O & M Expenses | 8,964.53 | 6,860.80 | 6,805.37 | 8,091.44 | 6,935.86 | 6,825.86 | 44,483.86 | 8,899.66 | 8,442.92 | 7,835.69 | 9,880.05 | 7,914.22 | 8,891.17 | 51,863.71 | 96,347.57 |
| Capital Fd | 1,587.97 | 3,691.70 | 3,747.13 | 2,461.06 | 3,616.64 | 3,726.64 | 18,831.14 | 3,190.04 | 3,646.78 | 4,254.01 | 2,209.65 | 4,175.48 | 3,198.53 | 20,674.49 | 39,505.63 |
| Debt Service | 2,814.00 | 2,814.00 | 2,814.00 | 2,814.00 | 2,814.00 | 2,814.00 | 16,884.00 | 3,223.92 | 3,223.92 | 3,223.92 | 3,223.92 | 3,223.92 | 3,223.92 | 19,343.52 | 36,227.52 |
| Total | 13,366.50 | 13,366.50 | 13,366.50 | 13,366.50 | 13,366.50 | 13,366.50 | 80,199.00 | 15,313.62 | 15,313.62 | 15,313.62 | 15,313.62 | 15,313.62 | 15,313.62 | 91,881.72 | 172,080.72 |
| CARROLLTON TWSP: | | | | | | | | | | | | | | | |
| O & M Expenses | 26,311.13 | 20,136.63 | 19,973.93 | 23,748.59 | 20,356.92 | 20,034.06 | 130,561.26 | 23,209.91 | 22,018.75 | 20,435.12 | 25,766.73 | 20,639.95 | 23,187.76 | 135,258.22 | 265,819.48 |
| Capital Fd | 4,660.72 | 10,835.22 | 10,997.92 | 7,223.26 | 10,614.93 | 10,937.79 | 55,269.84 | 8,319.49 | 9,510.65 | 11,094.28 | 5,762.67 | 10,889.45 | 8,341.64 | 53,918.18 | 109,188.02 |
| Debt Service | 8,259.16 | 8,259.16 | 8,259.16 | 8,259.16 | 8,259.16 | 8,259.16 | 49,554.96 | 8,407.84 | 8,407.84 | 8,407.84 | 8,407.84 | 8,407.84 | 8,407.84 | 50,447.04 | 100,002.00 |
| Total | 39,231.01 | 39,231.01 | 39,231.01 | 39,231.01 | 39,231.01 | 39,231.01 | 235,386.06 | 39,937.24 | 39,937.24 | 39,937.24 | 39,937.24 | 39,937.24 | 39,937.24 | 239,623.44 | 475,009.50 |
| SAGINAW TWSP: | | | | | | | | | | | | | | | |
| O & M Expenses | 41,818.44 | 32,004.80 | 31,746.20 | 37,745.58 | 32,354.93 | 31,841.77 | 207,511.72 | 34,654.87 | 32,876.34 | 30,511.81 | 38,472.47 | 30,817.64 | 34,621.80 | 201,954.93 | 409,466.65 |
| Capital Fd | 7,407.66 | 17,221.30 | 17,479.90 | 11,480.52 | 16,871.17 | 17,384.33 | 87,844.88 | 12,421.88 | 14,200.41 | 16,564.94 | 8,604.28 | 16,259.11 | 12,454.95 | 80,505.57 | 168,350.45 |
| Debt Service | 13,126.96 | 13,126.96 | 13,126.96 | 13,126.96 | 13,126.96 | 13,126.96 | 78,761.76 | 12,553.80 | 12,553.80 | 12,553.80 | 12,553.80 | 12,553.80 | 12,553.80 | 75,322.80 | 154,084.56 |
| Total | 62,353.06 | 62,353.06 | 62,353.06 | 62,353.06 | 62,353.06 | 62,353.06 | 374,118.36 | 59,630.55 | 59,630.55 | 59,630.55 | 59,630.55 | 59,630.55 | 59,630.55 | 357,783.30 | 731,901.66 |
| KOCHVILLE TWSP: | | | | | | | | | | | | | | | |
| O & M Expenses | 12,105.24 | 9,264.47 | 9,189.62 | 10,926.27 | 9,365.83 | 9,217.28 | 60,068.71 | 10,529.79 | 9,989.39 | 9,270.94 | 11,689.76 | 9,363.86 | 10,519.74 | 61,363.48 | 121,432.19 |
| Capital Fd | 2,144.31 | 4,985.08 | 5,059.93 | 3,323.28 | 4,883.72 | 5,032.27 | 25,428.59 | 3,774.36 | 4,314.76 | 5,033.21 | 2,614.39 | 4,940.29 | 3,784.41 | 24,461.42 | 49,890.01 |
| Debt Service | 3,799.88 | 3,799.88 | 3,799.88 | 3,799.88 | 3,799.88 | 3,799.88 | 22,799.28 | 3,814.44 | 3,814.44 | 3,814.44 | 3,814.44 | 3,814.44 | 3,814.44 | 22,886.64 | 45,685.92 |
| Total | 18,049.43 | 18,049.43 | 18,049.43 | 18,049.43 | 18,049.43 | 18,049.43 | 108,296.58 | 18,118.59 | 18,118.59 | 18,118.59 | 18,118.59 | 18,118.59 | 18,118.59 | 108,711.54 | 217,008.12 |
| TOTALS | 133,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 798,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 133,000.00 | 798,000.00 | 1,596,000.00 |

FRANCIS H. MCKENNA
Certified Public Accountant

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TEL (989) 791-2110
FAX (989) 791-3470

December 15, 2008

To the Chairman and Members of the
Northwest Utilities Authority
319 Tittabawassee Road
Saginaw, Michigan 48604-1263

Re: Auditor's comments for the fiscal year ended June 30, 2008.

I have audited the basic financial statements of the Northwest Utilities Authority for the fiscal year ended June 30, 2008. As required by auditing standards generally accepted in the United States of America, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of my audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

As stated in my audit engagement letter dated November 25, 2008, my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Management has the responsibility for adopting sound accounting policies, for maintaining and adequate effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should reflect in the accounts and in the financial statements are matters within the direct knowledge and control of management. My knowledge of such transactions is limited to that acquired through my audit. Accordingly, the fairness of representations made through the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

My responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute, assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the *Northwest Utilities Authority*. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control. Accordingly, I express no such opinion.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards require me to inform you of other significant issues such as, but not limited to, (1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgment, (2) Significant audit adjustments that may not have been detected except through the auditing procedures I performed, (3) Disagreements with management regarding the scope of the audit or application of accounting principles, (4) Consultation with other accountants, (5) Major issues discussed with management prior to retention, and, (6) Difficulties encountered in performing the audit.

I have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal and have been corrected.

INTERNAL CONTROL RELATED MATTERS

In planning and performing my audit of the financial statements of the *Northwest Utilities Authority*, Saginaw County, Michigan as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered the Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the Authority's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. I consider the deficiency described below to be a significant deficiency in internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control. I believe that the significant deficiency, as described below, constitutes a material weakness.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and related benefits. I am responsible for communicating significant deficiencies and material weakness in accordance with professional standards, regardless of management's decisions.

Material Weakness:

a) Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements

| | |
|--------------------------------------|---|
| Criteria: | All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP) and Government Accounting Standards Board (GASB) regulations. This is a responsibility of the Authority's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). |
| Condition: | As is the case with many smaller and medium-sized entities, the Authority has historically relied on its independent auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Authority's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its <i>external</i> auditors, who cannot by definition be considered a part of the Authority's <i>internal</i> controls. |
| Cause: | This condition was caused by the Authority's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Authority to perform this task internally. |
| Effect: | As a result of this condition, the Authority lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task. |
| View of Responsible Officials: | The Authority has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Authority to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation. |

Other Matters:

None

Northwest Utilities Authority


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December 15, 2008

Re: Auditor's comments for the year ended June 30, 2008.

This communication is intended for the solely for the information and use of management, *Northwest Utilities Authority* Board, others within the organization, and the Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Francis H McKenna". The signature is written in a cursive style with a large, stylized 'F' and 'M'.

Francis H McKenna
Certified Public Accountant